New Jersey Casino Control Commission

Annual Report

December 31, 1988

TABLE OF CONTENTS

Message from the Chairman	3
Legal Division	4
Administrative Division	6
License Division	7
Financial Evaluation and Control	9
Affirmative Action and Planning	10
Casino Revenue Fund	12
Statistics	13
Auditor's Report	20
Table of Organization	24

CASINO CONTROL COMMISSION 1988

E. Kenneth Burdge — Walter N. Read, Chairman — Valerie H. Armstrong — W. David Waters

New Jersey Casino Control Commission
Princeton Pike Office Park
Building No. 5
CN 208
Trenton, New Jersey 08625
Tel. (609) 530-4900

Tennessee Avenue and Boardwalk
Atlantic City, New Jersey 08401
Tel (609) 441-3200

The Annual Report of the New Jersey Casino Control Commission is submitted to the Governor and to the members of the New Jersey Legislature.

GOVERNOR
THOMAS H. KEAN

The past year marked the passing of milestone in New Jersey gaming history and like most historic events should be a signal to pause and review our accomplishments and look ahead briefly at what the future holds in store.

Ten years ago the first gambling hall opened here as part of a great social experiment as to whether Atlantic City could rebuild itself into a major destination resort on the strength of a series of new or remodeled hotels.

The first casino and those that quickly followed were instant hits, turning hundreds of millions of dollars in profits and providing new ratables and thousands of jobs for a city that was starved for any economic stimulation.

Ten years later the Casino Control Commission's role has changed from being a catalyst for the new industry into an agency faced with coping with sophisticated financial restructuring and bankruptcies.

For example, the first year the commission was in operation it processed 3,135 license applications and the licensing of the first casino. By contrast last year the commission spent a major portion of its time on the sale of Resorts International by Donald Trump to Merv Griffin and the resale of Taj Mahal back from Griffin to Trump, a deal which involves hundreds of millions of dollars.

The commission spent considerable time working out an acceptable trust agreement with British-held Bass PLC to comply with the newly enacted legislation providing for interim casino authorization. The law now permits an investor to become directly involved in the ownership and operation of a casino under an accelerated schedule provided it meets the specified criteria.

The Bass PLC was the first test of the new legislation and the trust agreement which the company submitted and which the commission finally approved has become a model for other investors.

The Trump-Griffin transaction wasn't the only high profile problem that the commission faced. The long three year struggle over the licensing of the bankrupt Atlantis Casino finally came to an end. The bankruptcy referee accepted the company's reorganization plan late in the year, enabling the casino to resume normal operations again.

The past ten years have been marked by tremendous growth both in the industry and in the regulatory side. In its ten year history the commission has licensed more than 170,000 people to work in the industry and approved more than 10,000 business firms which provide goods and services to the industry.

The sheer size of the industry has forced the state to expand to meet this growing challenge but in an effort to determine that it was using its resources as wisely and as frugally as possible, the commission last year authorized an in-depth audit of its own operation.

The commission hired Cresap, McCormick & Paget, a Washington, D.C. consulting firm which spent six months studying the commission. A comprehensive set of recommendations was returned late in the year and the commission adopted some promptly and expects that after a period of studying and testing many of the other proposals will be implemented.

The hiring of the consulting firm was another acknowledgment that the size and scope of casino regulation today requires new and more efficient treatment by the commission.

The continuing growth of the industry spurred the commission to renew its pledge to insure that minorities and females participate more fully in the benefits of the industry. The commission after careful study adopted new regulations which upgrade the position of the affirmative action officers in each casino.

The new regulations provide that the EEO/AA officers are licensed to a higher standard and report directly to the chief operating officer of the company. The regulations also stipulate that the office of the EEO/AA director must be separate from the personnel office of the casino.

The commission also moved to help the industry with its employment problems which continue to grow as new casinos and expanded facilities come on line. A study by the commission's affirmative action office revealed employee turnover is greatest among lower paying jobs which are generally filled by minorities.

The commission also conducted a pilot program to "fast track" 197 employee applications for summer jobs. The average time needed to process and license an application was reduced to one month, a vast improvement over the process of ten years ago when it took almost six months for an applicant to receive a license.

The commission's commitment to its own in-house affirmative action program continued to reap benefits. Of a total of 56 new hires or replacements during the past year 39 percent were females and 20 percent were minorities.

Forty-two of the new hires were listed either as officials or professionals. The hiring of 16 females and 12 minorities strengthened our compliance levels. In the support service category, the commission hired eight white females and six minorities.

Upward mobility and advancement were also part of the commission's commitment. Fifty-five of those promoted are white females and 23 percent were minorities.

The commission, along with other state agencies, demonstrated "good faith efforts" in its commitment to recruit and hire females and minorities. Part of that effort involves the establishment of goals for protected class persons.

These goals are established by the commission and are based on the actual number of existing vacant positions. This total is analyzed and reviewed in accordance with the established equal employment opportunity categories and the anticipated hiring needs of each division. This past year saw the commission attain 90 percent of its stated hiring goals.

The recruiting, hiring and promoting of protected class persons are only part of the effort taken to ensure equal opportunity at the commission. Sensitivity and educational training played major roles in the commission's on-going commitment to this program. As of June 30 every commission employee had participated in Governor Kean's program - Affirmative Action - The Next Phase.

The growth of casino gambling combined with the volume of wagering at the race tracks and with the state lottery resulted in the formation of the Governor's Advisory Commission on Gambling which was organized to determine a future course of action for legalized gambling in this state.

A panel representative of the state's interest, various gaming companies and several private citizens returned a strong recommendation for the creation of an Office of Compulsive Gambling to cope with a growing problem and also recommended that there should be no expansion of gambling in this state in the foreseeable future.

While most of the past 12 months proceeded on a high note, the end of the year marked the end of the term of Carl Zeitz as a commissioner. He left the commission in December after serving eight years, the longest term of any commissioner to date. Indications were that a successor would be named early in the coming year.

The commission was fortunate in finding a new Executive Secretary/Director of Administration to replace Theron (Terry) Schmidt who resigned in mid-year to pursue a family business. Joseph A. Papp, formerly budget and fiscal officer for the commission was promoted and brings ten years of state government service to his new position.

The commission now embarks on its second decade armed with ten years of experience and with resolution and dedication to ensuring the integrity of legalized casino gaming. The commission continues to be firm in the belief that a healthy industry, properly regulated, should move closer to its ultimate goal of restoring Atlantic City to its former prominence as a major resort city.

LEGAL DIVISION

The Legal Division, under the direction of General Counsel Robert Genatt and Deputy Director John Zimmerman, faced a variety of novel issues relating to both casino licensing and casino operations during 1988.

The kinds of issues which arose during the past year are reflective of the changes which have taken place in the casino industry during the ten years of its existence. The Legal Division formerly spent much of its time dealing with new casino projects, and attempting to assure that they advanced to fruition in accordance with the extensive and complex requirements of the Casino Control Act.

The division, primarily through Senior Assistant Counsel Catherine Walker, continues to perform these functions with respect to the Taj Mahal project, the proposed Hollywood casino project and other more preliminary proposals. However, the division has in recent years spent proportionately less time on new casino proposals and more time on sales and corporate and financial restructuring of existing casino operations.

Moreover, the Casino Control Act, which has become the model of casino regulation, has continued to evolve. Thus, in recent years the division has spent increasing time and energy drafting proposed amendments to the Act for submission to the commission, and advising the commission on requests for interpretive rulings.

Many of the specific issues on which the Legal Division was called upon to advise the commission during 1988 arose out of the extensive revisions to the Casino Control Act which became effective in January. For example, the Legislature created new interim casino authorization procedures designed to allow for the orderly transfer of interests in casino enterprises while also assuring that essential regulatory concerns were not compromised.

Numerous interpretive rulings were required in order for the new system to begin to operate. In hearings relating to interim casino authorization applications for Merv Griffin, Bass PLC and others, the division aided the commission in fixing the basic structures and procedures for all future applications.

One of the interim casino authorization applications, that of Merv Griffin, was part of a much larger joint application of Mr. Griffin, Donald Trump and Resorts International, Inc., for approval of a plan for Mr. Griffin to take over ownership of Resorts and for Resorts to sell the partially completed Taj Mahal casino facility back to Mr. Trump. With respect to this joint application, the Legal Division advised the commission on numerous issues during the course of three hearings.

The January 1988 amendments to the Casino Control Act also required casino licensees and their holding companies to adopt corporate charter provisions insuring their ability to remove security holders who are found unqualified by the commission. The division, through Senior Assistant Counsel E. Dennis Kell, expended considerable time and energy in attempting to insure that consistent and effective charter provisions were presented to the commission by all affected corporations within the one-year time limit set by the Legislature.

The division also represented and advised the commission at hearings relating to, for example, the efforts of the Division of Gaming Enforcement to gain investigative access to casino computer systems, the establishment of a centralized credit verification system, and the establishment of a joint slot machine jackpot system.

Many of the changes to the Casino Control Act also required the division, through the immediate supervision of Senior Assistant Counsel David Missimer, to draft several proposed regulations. For example, during 1988 the commission published extensive regulations designed to implement the Act's requirements that casinos set aside contracts for minority owned and female owned businesses.

The division continued to perform its normal functions, including representing and advising the commission with respect to casino license hearings. During 1988, the hearings related to Resorts International, which was in the process of changing ownership and control, and Atlantis, which was in the process of completing bankruptcy reorganization, were particularly time consuming.

The divison also continued to advise the commission with respect to all other applications for licensure and for legal rulings. Such applications were more numerous in 1988 than in any prior year, and the division was fortunate to add to its staff Senior Assistant Counsel James Schwerin to supervise the handling of many of these matters.

The division also represented the commission in litigation resulting in several significant decisions during 1988. For example, Senior Assistant Counsel Dennis Daly represented the commission before the New Jersey Supreme Court, which affirmed the ruling of the Appellate Division of Superior Court upholding the commission's decision to exclude Lawrence Merlino, Philip Leonetti and Saul Kane from licensed casino facilities. Mr. Daly also successfully urged the Appellate Division to uphold the commission's determination imposing strict liability on casino licensees for the presence of underaged persons in casinos.

General Counsel Genatt represented the commission in the Appellate Division, seeking affirmance of a ruling of the Chancery Division, upholding the provisions of the Casino Control Act prohibiting political contributions by casinos and certain employees. A decision is pending. Mr. Genatt successfully urged the Appellate Division to uphold the commission's ruling prohibiting off-site collection of casino markers.

ADMINISTRATION DIVISION

The Administration Division which carries out the operational and organizational responsibilities of the commission found itself with a new director and a series of significant projects during the year.

Joseph A. Papp succeeded Theron G. Schmidt in July, simultaneously with the completion of an organizational and operational audit of the commission by the independent firm of Cresap, McCormick & Paget of Washington, D.C.

Mr. Papp was named to a commission task force headed by Commissioner W. David Waters and Personnel Director David Hopkins to evaluate and implement the recommendations of the audit firm which the commission believes will benefit the overall effectiveness of the commission.

One Cresap recommendation which the commission has accepted is the relocation of the Casino Auditing and Operations Unit from Lawrenceville to Atlantic City. Deputy Director James Fiandaca is the project manager assigned the responsibility for implementing the move.

The Administration Division also completed plans for the purchase of new telecommunication equipment for the three commission sites. The purchase of the new equipment will upgrade the commission's telecommunications capabilities and will enable the commission to comply with the directive from the Office of Telecommunications and Information Systems to terminate all leased equipment agreements.

It is anticipated that the cost of the new system will be absorbed through reduced telecommunications costs over a four year period.

Significant savings have already been realized in the data processing center through the implementation of an in-house minicomputer system.

Under the direction of Julian Grauer three important applications -the cost system, the salary history system and the petition system - are now operational and have resulted in a 50 percent savings compared with buying time - sharing from outside vendors.

CASINO CONTROL COMMISSION VOLUME OF CONTRACTS ISSUED FY 1988

	Contracts Issued	Percent of Total Contracts	Dollar Volume of Contracts	Percent of Total Dollars
Total Contracts Issued by The CCC—FY 1988	1,560	100%	$859,712.91	100%
Contracts Issued To Non-SBE, WBE & MBE	457	29.3%	$331,186.73	38.5%
Contracts Issued To Small Business Enterprises	688	44.1%	$351,686.80	40.9%
Contracts Issued To* SBE's Pending Application Approval	197	12.6%	$141,402.96	16.4%
Contracts Issued To Female Business Enterprises	79	5.1%	$21,115.50	2.5%
Contracts Issued To Minority Business Enterprises	139	8.9%	$14,320.92	1.7%

*Application for SBE, MBE or WBE status pending approval by the Department of Commerce and Economic Development.

A second minicomputer is being acquired for use by the two Atlantic City offices and it is expected additional savings will be realized. Further study will be undertaken next year to determine whether costs can be further reduced by eliminating the use of time-sharing vendors by the Financial Evaluation Unit.

The Budget And Fiscal Office exceeded the state mandated goals in issuing contracts to small business enterprises, minority and female owned business enterprises.

During Fiscal 1988 more than 58 percent of all business contracts were issued to buyers qualified under these programs. Final reports indicate that 9,841 expenditures totalling $3,148,459 were made to SBE or minority and female owned businesses. This year's total represented an increase of more than 10 percent.

The Administration Office, as custodian of official records provided more than 1,900 documents to the public and provided copies of the commission meeting agendas, minutes of regular and special meetings and a listing of filed petitions on a subscription basis.

As part of its function the office also processed 161 rule making changes during the year of which 64 were adopted within Title 19K of the New Jersey Administrative Code.

LICENSE DIVISION

The License Division under Director Christopher D. Storcella and Deputy Director Richard P. Franz best epitomizes the growth of the casino industry in Atlantic City.

When the first casino opened in May, 1978 there were 504 sleeping rooms, 77,000 square feet of public space and 34,000 square feet of casino space. Today there are 12 hotels with 7,130 sleeping rooms, 1,445,000 square feet of public space and 696,000 square feet of casino floor space.

Last year alone, the expansions of Bally's Grand, Tropicana and Trump Castle have added 500 new sleeping rooms, 171,000 feet of public space and 30,000 additional feet of casino space.

The growth will continue in the coming year and the projections are that the expansion of the industry will continue although not at the same frantic pace as the first ten years.

The licensing of the many thousands of employees who are needed by the industry falls within the responsibility of the License Division.

During the first ten years a great deal of the commission's activities were focused on employee licensing and the Employee License Bureau was in the forefront of the action. Under the direction of Chief John Bowman, the commission has processed approximately 170,000 license applications during that time.

The pace, although not as hectic, continues to be time consuming as the 1988 figures of 15,685 applications indicate. In addition, the bureau also processed 13,700 applications for renewals and 3,573 applications for position additions.

Through its substantial computerization program the division is able to monitor the activities of the approximately 45,000 persons who work full or part time in the 12 casinos.

The issues involving the industry are changing significantly and the division is preparing to assist the industry in its ever-expanding search for new employees. Plans are underway, for example, to assist the industry in locating persons with valid licenses who are no longer working in the industry.

In its efforts to assist the industry the division participated in a "pilot project" with the Division of Gaming Enforcement and the Casino Association to track the processing of employee applications.

This project allowed each casino to request a limited number of casino employee applications to be expeditiously licensed in order to assist the industry with its summer staffing requirements. There were 197 applicants who participated in the program and on the average they were licensed within one month of the filing date.

The Enterprise License Bureau under Chief Mark Tucci, which is responsible for licensing business concerns which provide goods and services to the casinos also achieved a high level of success.

The bureau today is monitoring the financial transactions between the casinos and more than 10,000 companies who do more than $1.5 billion worth of business annually.

The bureau was also required to institute new requirements this year for the tracking of financial transactions between the general contractors and sub-contractors employed by the casino license holders or applicants. The licensing of the sub-contractors will be required as warranted.

The growth of the industry continued to provide additional responsibility for the Enterprise Bureau. During 1988 there were 3,662 vendor registration forms filed on behalf of non-gaming enterprises and 249 applications for licenses were filed on behalf of corporations and subsidiaries who do business with the casinos.

Since the casino industry started in New Jersey the bureau has processed 23,796 vendor registration forms and 2,830 casino service license applications.

To handle the huge volume of business the division has developed an electronic mail receipt and distribution system to expand its capabilities and increase efficiency. Under the supervision of Stephen Crist, the Document Control Unit handles more than 250 pieces of mail daily and is responsible for handling and routing more than 500 employee applications monthly and 65 applications from companies desiring to do business with the industry.

Despite the increased volume of applications and forms the License Division through the efforts of a skilled and dedicated work force has been able to service the industry faster and more efficiently than it did ten years ago when the first casino opened.

CASINO SERVICE INDUSTRY TOTAL VOLUME OF BUSINESS-1988

	Total Companies	Percent of Total Companies	Dollar Volume of Business[1]	Percent of Total Business
All Enterprises on Master Vendors List	10,439	100%	$1,524,214,684	100%
New Jersey Enterprises[2]	3,987	38.19%	$1,004,018,434	65.87%
Pennsylvania Enterprises	1,482	14.2%	$140,497,563	9.22%
New York Enterprises	1,827	17.5%	$94,983,208	6.23%
Delaware Enterprises	50	0.48%	$2,523,918	0.17%
All Other States	2,966	28.41%	$247,255,165	17.99%
Foreign Enterprises	127	1.22%	$7,936,396	0.52%

[1] "Dollar Volume of Business" represents only those monies paid by casino licensees for goods or services. This figure does not include such payments as governmental taxes, fines and fees to the Casino Control Commission, charitable contributions, guest losses or court garnishments.

[2] Numbers reflect the states in which the offices serving casino/hotels are located and may not be the states in which the enterprises are incorporated or have a home office.

CASINO SERVICE INDUSTRY TOTAL VOLUME OF BUSINESS NEW JERSEY FIRMS—1988

	Total Companies	Percent of Total Companies	Dollar Volume of Business	Percent of Total Business
New Jersey Enterprises	3,987	100%	$1,004,018,434	100%
Atlantic	1,738	43.59%	$709,351,528	70.65%
Bergen	217	5.44%	$16,604,093	1.65%
Burlington	227	5.69%	$25,182,032	2.51%
Camden	449	11.26%	$45,431,811	4.52%
Cape May	163	4.09%	$6,202,655	0.62%
Cumberland	101	2.53%	$8,298,591	0.83%
Essex	112	2.81%	$89,697,921	8.93%
Gloucester	110	2.76%	$3,193,564	0.32%
Hudson	86	2.16%	$16,685,285	1.66%
Hunterdon	12	0.3%	$175,907	0.02%
Mercer	86	2.16%	$44,571,976	4.44%
Middlesex	118	2.96%	$4,398,158	0.44%
Monmouth	114	2.86%	$6,054,830	0.6%
Morris	70	1.76%	$4,027,211	0.4%
Ocean	99	2.48%	$3,831,434	0.38%
Passaic	107	2.68%	$5,462,690	0.54%
Salem	5	0.13%	$1,332	0.0001%
Somerset	38	0.95%	$367,793	0.04%
Sussex	12	0.3%	$63,062	0.01%
Union	116	2.91%	$14,402,949	1.43%
Warren	7	0.18%	$13,612	0.001%

DIVISION OF FINANCIAL EVALUATION & CONTROL

The Division of Financial Evaluation and Control under Director William H. Delaney faced a multitude of unique operational gaming problems and complex financial issues while helping to ensure the integrity of the New Jersey casino industry.

The nature of the issues addressed in 1988 reflected the casino industry's increased sophistication and the changes that have occurred since the 1978 opening of the first casino.

Since mid-1982 the Financial Division's organizational structure has remained constant while its responsibilities and work load have continued to parallel the maturing industry. In recent years the division has spent less time on new casino openings and more handling highly technical financial transactions, more sophisticated gaming technology and a diversity of organizational structures and policies on the part of license holders.

The Financial Evaluation Unit under Deputy Director John Trzaka and Manager Deborah M. Algor provided the commissioners with insight and advice on complex financial transactions involving Resorts International and Merv Griffin and Donald Trump.

The unit also was involved in evaluating the reorganization plan for the bankrupt Atlantis Casino and the debt restructuring of Southmark Corporation.

Over the years, the scope of the Casino Accounting and Operations Unit under Deputy Director Deno Marino and Manager Patricia DiFlorio has continued to expand to meet the changing needs of the industry.

In 1988, for example, the unit had to develop procedures for two unique casino marketing concepts: a complimentary program utilizing non-cash redeemable slot tokens and a bill changer which dispenses coins to a slot machine player. Both concepts required the unit to conduct extensive research to draft necessary regulatory changes as well as review and analyze the equipment and internal controls.

Throughout the year the unit was also engaged in review and analysis of Atlantic City's first slot machine system linking progressive slot machines in more than one casino and offering annuity payments as jackpots. The commission is expected to rule upon the concept sometime during the coming year.

The Inspection Unit under Chief Inspector Rochelle Jefferson continued to be the "eyes and ears" of the commission. The inspection staff handled more than 3,500 informal complaints and 744 formal complaints relating to table game or slot payoffs, bus coupon disputes and other casino-related incidents during the year.

The inspectors who also are responsible for ensuring the integrity of the games helped to resolve more than 1,000 table inventory discrepancies and 1,500 deviations of internal controls, gaming equipment and rules of the games.

The unit inspects the cards and dice that are used in the games, both before the games are played and at the end of the night to ensure the fairness of all the games.

Of significance to the gaming industry were the efforts of the Accounting Unit under Manager Teresa B. Gervasio which developed a new billing system which more closely matches the agency's operating costs. Done in conjunction with the Division of Gaming Enforcement the unit devised a four-tier system in an effort to eliminate the need for special assessments at the end of the fiscal year.

The Accounting Unit also worked closely with the License and Legal Divisions to develop new fee regulations relating to key employees, casino service industry license applicants, junket representatives and junket enterprise applicants.

A rigorous team effort, sparked by Manager Michael Wozniak, enabled the Auditing Unit to eliminate a prior years backlog of gross revenue audits. New computer applications enabled the unit to complete the program which was started in 1987 and ensures that the audits will be completed in a timely fashion in the future.

DIVISION OF AFFIRMATIVE ACTION AND PLANNING

Under the leadership of Luis A. Fuentes and Deputy Director Claire Frank, the Division of Affirmative Action and Planning has continued to carry out the commission's mandate to ensure equal employment opportunities for minorities and females in all segments of the casino industry.

Major highlights of the year included:

- upgrading of casino equal employment offices through amendment to the affirmative action regulations;
- completion of a study of casino industry employee turnover;
- development and dissemination of a division newsletter to improve the lines of communication between the agency, the industry and other interested parties;
- upgrading of all data processing capabilities particularly with respect to the Project Manning Report Database in the Construction and Industry Unit;
- implementation of the set aside program and publishing of proposed rules and regulations.

The commission is of the opinion that raising the level of the EEO/AA officers in the casino hotel hierarchy will allow the officer to exercise greater influence over personnel and other areas and thereby enhance the facility's ability to achieve greater compliance with the state's affirmative action goals.

Previously, EEO/AA offices have generally been located within the Human Resources Department. The new rules require officers to be separated physically from the personnel function. As a result, they will be better able to assess the affirmative action impact of a potential new hire or promotion on the organization and make an appropriate recommendation to the chief executive officer.

A key provision of the amendments is the requirement of a direct reporting line between the officer and the CEO. This change insures that the CEO will be kept informed of all pertinent EEO/AA issues in the organization.

The commission envisions that the officer will play a central role in the coordination and monitoring of the facility's activities with respect to meeting the provisions of the casino set aside law.

TOTAL INDUSTRY EMPLOYEES BY EEO CATEGORY
(INCLUDES FULL TIME EMPLOYEES ONLY)
CASINO HOTEL INDUSTRY AFFIRMATIVE ACTION COMPLIANCE LEVELS
FOR THE MONTH ENDING DECEMBER 31, 1988

EEO Category	Total Employees	Females		Minorities	
Officials & Managers	7,994	3,042	38%	1,739	22%
Professionals	6,154	2,585	42%	1,900	31%
Technicians	757	200	26%	143	19%
Salesworkers	366	276	75%	133	36%
Office & Clericals	6,529	5,011	77%	2,814	43%
Craftpersons	1,257	168	13%	274	22%
Operatives	1,415	368	26%	524	37%
Laborers	1,766	578	33%	1,244	70%
Service Workers	14,967	6,676	45%	7,862	53%
Total	41,205	18,904	46%	16,633	40%

In November 1988 the commission released a report entitled, "An Analysis of Employee Turnover in the Casino Hotel Industry" in response to concerns about the high level of employee turnover during the past couple of years.

The results indicate that the bulk of the turnover problem is concentrated among younger, minority employees working in less skilled, lower paid jobs such as kitchen utility workers. These workers tend to have a shorter work tenure (lasting less than three months) and to be fired for cause (excessive absenteeism, for example) more often than other workers.

Due to the lack of an exit interview procedure at the facilities involved in the study, it was impossible to determine the underlying root causes for the turnover problem. For example, excessive absenteeism may have been the identified cause for termination but the underlying cause may be related to a host of other problems: lack of good, adequate day care, problems with transportation, inadequate training, etc.

The turnover problem is not an easy one to resolve and an exit interview procedure is only one possible step in seeking a solution.

During the latter half of the year the commission proposed new regulations which will implement the new set aside law which requires casinos to establish goals for spending a certain percentage of their contracts for goods and services with minority owned and female owned businesses. The casino hotels are required to demonstrate a good faith effort to reach these goals annually.

The Casino Unit under the direction of Deborah Boykin Greenberg has developed an automated complaint referral system to direct persons or firms with discrimination complaints to the proper governmental agency.

The Casino Unit will continue to provide the commission with a comprehensive analysis and documentation of the affirmative action performance of the 12 casinos.

Overall, the size of the industry work force rose five percent from 1987 to stand at 41,203 full time employees at the end of the year. Of that total the level of female representation continues to be 46 percent while minority representation increased two percent to 40 percent of the total.

At the end of the year, the industry employed 9,519 Atlantic City residents, thus 23 percent of the industry's full time employees live in Atlantic City. This represents 40 percent of all the working people in Atlantic City.

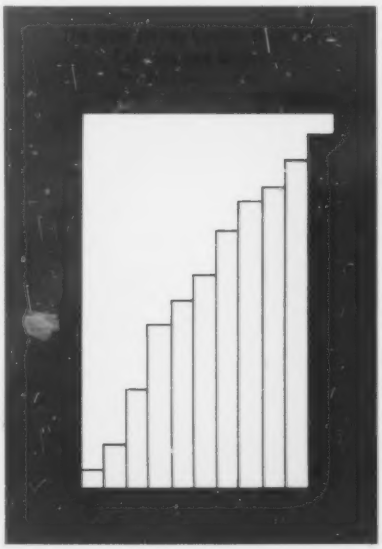
The Construction and Industry Unit, under the supervision of Marvin Askins, was actively involved in monitoring minority and female work force participation in construction projects at the Taj Mahal, TropWorld, the expansion of the Trump Castle tower, and expansion projects at Harrah's Marina and Bally's Park Place.

Analysis of the aggregate industry-wide construction trade work force indicates that an average of 1,319 journeyworkers were employed in casino related projects during any given week of the year. Of this Number, 156 were minorities and 13 were females. These figures show a slight decline in the number of minorities employed but no change in the number of females employed when compared with the previous year.

The Planning Unit under Chief Planner Barbara Lampen, concerned itself with transportation related issues during the year. Studies of the proposed parking garages at Bally's Park Place and Caesars as well as the Atlantis intercept employee parking lot were undertaken.

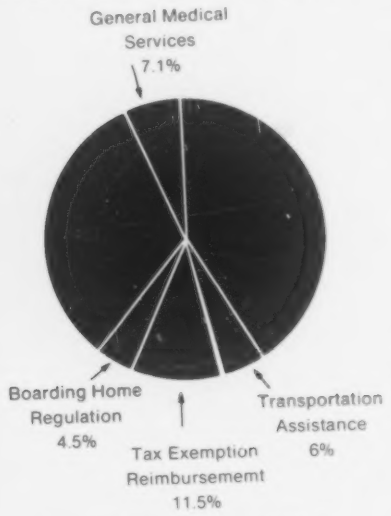
Toward the end of the year the planning staff assisted Commissioner W. David Waters who represents the commission on the advisory committee for the Atlantic City People Mover Study Committee.

The Planning Unit also began a review of the proposed Sands Hollywood proposal which is expected to continue through the coming year.



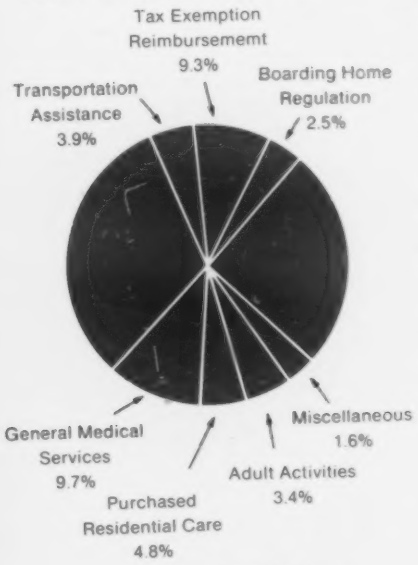
CASINO REVENUE FUND

Casino Revenue Fund Disbursements July 1, 1986 through June 30, 1987



TOTAL DISBURSEMENTS—$156.7 MILLION

Casino Revenue Fund Disbursements July 1, 1987 through June 30, 1988



TOTAL DISBURSEMENTS—$191.8 MILLION

During 1988 the Casino Revenue Fund collected $226,778,457 to underwrite the cost of programs which are available to assist New Jersey's senior citizens and disabled persons.

The $226.7 million collected during 1988 represents an increase of 14.4 percent compared with the $198.1 million collected in 1987. Since the first casino, Resorts International, opened in 1978 the fund has collected $1,387,144,204 plus an additional $55,435,181 earned in interest.

The Casino Revenue Fund, in accordance with the 1976 constitutional amendment, must be used solely for programs to assist senior citizens and disabled persons.

The 12 operating casinos are taxed eight percent of their gross revenues or "win" each month. The money is then deposited in an interest bearing account by the Department of Treasury which administers the fund.

Included among the various programs financed by the fund are utility payments, pharmaceutical assistance, real estate property tax rebates, boarding home assistance and other programs.

Several new programs were initiated during FY 88. Among them are senior citizens housing, home delivered meals, education and day training, health facilities evaluation, local and community health services, epidemiology and disease control, adult activities and social supervision.

The largest expenditure from the fund during FY 88 was $66.5 million for utility payments. To be eligible an applicant must be at least 65 years of age or receiving Social Security disability benefits. Maximum income is $13,650 for single persons and $16,750 for married couples.

Also during FY 88, $57.7 million was provided to senior citizens and disabled persons for pharmaceutical assistance. General medical services to the aged and disabled received $18.5 million while $17.9 million was spent for property tax rebates to low income senior citizens and disabled persons.

Residential care services received $9.1 million and transportation support received $7.5 million. Adult activities for senior citizens and disabled persons received $6.5 million; boarding home regulation and assistance received $4.8 million; and miscellaneous programs received $3 million.

The Casino Revenue Fund is not used to underwrite the state's costs for regulating the casino industry. All costs of the Casino Control Commission are borne by the casino industry through license fees, taxes and assessments. None of the costs are paid out of the general fund of the state.

The cost of administering the Casino Revenue Fund is underwritten by the fund itself and is approximately three percent of the total cost of the programs.

STATISTICS

THE NEW JERSEY CASINO INDUSTRY FACILITY STATISTICS

at December 31, 1988 and 1987

	Atlantis		Bally		Bally's Grand[1]		Caesars		Castle		Claridge	
	1988	1987	**1988**	1987	**1988**	1987	**1988**	1987	**1988**	1987	**1988**	1987
Table Games:												
Blackjack	**79**	77	**74**	74	**61**	57	**58**	70	**68**	74	**54**	57
Craps	**12**	14	**18**	18	**18**	20	**24**	24	**25**	24	**12**	14
Roulette	**12**	12	**12**	12	**10**	10	**11**	11	**12**	12	**8**	8
Big Six	**2**	2	**4**	4	**4**	4	**4**	4	**3**	4	**1**	1
Baccarat	**4**	4	**2**	2	**2**	2	**5**	5	**5**	3	**2**	3
Total Table Games	**109**	109	**110**	110	**95**	93	**102**	114	**113**	117	**77**	83
Slot Machines:												
.05 slot machines	**175**	172	**93**	128	**68**	62	**108**	108	**98**	98	**66**	92
.25 slot machines	**740**	701	**780**	881	**551**	560	**827**	774	**808**	902	**558**	695
$1 slot machines	**169**	169	**204**	148	**254**	193	**157**	159	**220**	220	**113**	108
Other slot machines[4]	**311**	349	**592**	512	**484**	406	**597**	524	**535**	447	**502**	350
Total Slot Machines	**1,395**	1,391	**1,669**	1,669	**1,357**	1,221	**1,689**	1,565	**1,661**	1,667	**1,239**	1,245
Casino Square Footage	**50,601**	50,601	**59,996**	59,996	**45,442**	43,162	**59,617**	59,504	**60,000**	60,000	**43,054**	43,054
Number of Hotel Rooms	**500**	500	**506**	506	**518**	518	**644**	644	**607**	606	**504**	504
Convention Space Square Footage	**26,260**	26,260	**49,035**	49,035	**23,536**	23,536	**26,364**	26,364	**47,046**	28,344	**27,953**	26,594
Number of Parking Spaces	**906**	846	**987**	987	**1,767**	1,767	**1,064**	1,064	**2,816**	2,866	**1,493**	1,615
Number of Theatre Seats	**850**	850	**380**	380	**540**	540	**1,050**	1,100	**462**	462	**600**	600
Number of Restaurants	**5**	4	**11**	11	**10**	10	**12**	12	**9**	11	**8**	8
Fixed Asset Investment[5] ($ in Millions)	**$187.9**	$184.5	**$619.2**	$550.2	**$287.4**	$286.9	**$317.5**	$289.0	**$407.4**	$346.8	**$12.4**	$11.8[6]
Number of Employees	**2,125**	1,788	**3,568**	3,540	**3,446**	3,491	**3,937**	3,505	**3,502**	3,470	**2,282**	2,408

[1]Formerly Golden Nugget
[2]Officially opened April 2, 1987
[3]Formerly Tropicana
[4]Includes all other slot machines
[5]Represents property and equipment before accumulated depreciation as reported by each casino licensee

Harrah's		Resorts		Sands		Showboat[2]		TropWorld[3]		Trump		Industry Totals	
1988	1987	**1988**	1987	**1988**	1987	**1988**	1987	**1988**	1987	**1988**	1987	**1988**	1987
85	84	**78**	78	**63**	63	**74**	74	**110**	82	**80**	74	**884**	864
22	24	**22**	22	**18**	18	**18**	22	**20**	20	**20**	24	**229**	244
12	12	**11**	0	**12**	12	**12**	12	**10**	11	**12**	12	**134**	134
3	2	**4**	4	**3**	3	**4**	4	**4**	2	**3**	3	**39**	37
3	2	**3**	3	**3**	3	**3**	2	**3**	2	**2**	2	**37**	33
125	124	**118**	117	**99**	99	**111**	114	**147**	117	**117**	115	**1,323**	1,312
119	125	**84**	84	**79**	75	**124**	124	**119**	88	**96**	96	**1,229**	1,252
685	794	**833**	925	**611**	667	**894**	880	**981**	747	**867**	915	**9,135**	9,441
253	290	**199**	217	**187**	168	**156**	136	**338**	243	**141**	157	**2,391**	2,208
650	502	**556**	448	**562**	506	**498**	488	**930**	672	**562**	511	**6,779**	5,715
1,707	1,711	**1,672**	1,674	**1,439**	1,416	**1,672**	1,628	**2,368**	1,750	**1,666**	1,679	**19,534**	18,616
60,364	59,718	**59,857**	59,857	**50,090**	49,236	**59,388**	59,388	**87,760**	60,000	**60,000**	60,000	**696,169**	664,516
760	760	**689**	689	**500**	500	**516**	516	**1,004**	507	**566**	585	**7,314**	6,835
32,348	32,348	**48,953**	48,953	**26,549**	24,930	**45,940**	45,940	**52,106**	25,641	**27,417**	27,417	**433,507**	385,362
2,930	2,963	**2,721**	2,581	**2,595**	2,595	**2,534**	2,534	**4,070**	2,720	**2,940**	2,940	**26,823**	25,478
850	850	**1,600**	1,650	**850**	850	**1,550**	350	**1,860**	1,720	**750**	750	**11,342**	10,102
9	8	**12**	12	**11**	11	**12**	12	**12**	7	**9**	8	**120**	114
$281.1	$272.9	**$178.9**	$176.2	**$261.6**	$246.2	**$247.0**	$237.5	**$302.3**	$194.4[7]	**$353.1**	$322.1	**$3,455.8**	$3,118.5
3,848	3,623	**3,608**	3,635	**2,945**	2,846	**3,612**	3,656	**4,868**	3,228	**4,393**	4,161	**42,134**	39,351

[6]Fixed asset investment for Claridge at December 31, 1987 and 1988, only includes gaming equipment because The Claridge at Park Place, Incorporated leases its property and equipment as a result of a sale and refinancing agreement

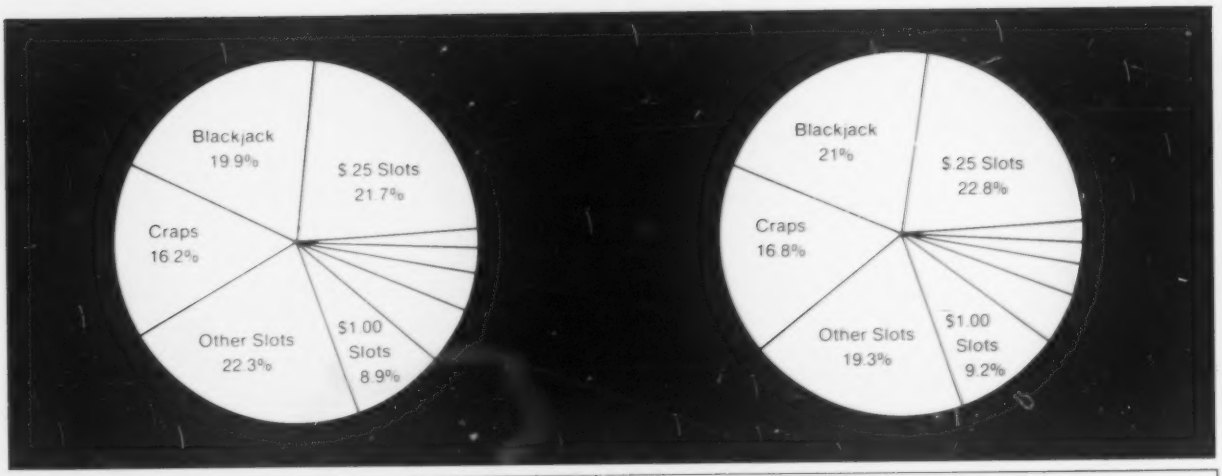
[7]Fixed asset investment for TropWorld at December 31, 1987 and 1988 does not include the building and certain non-gaming assets because Adamar of New Jersey, Inc. leases these assets as a result of a sale and leaseback transaction.

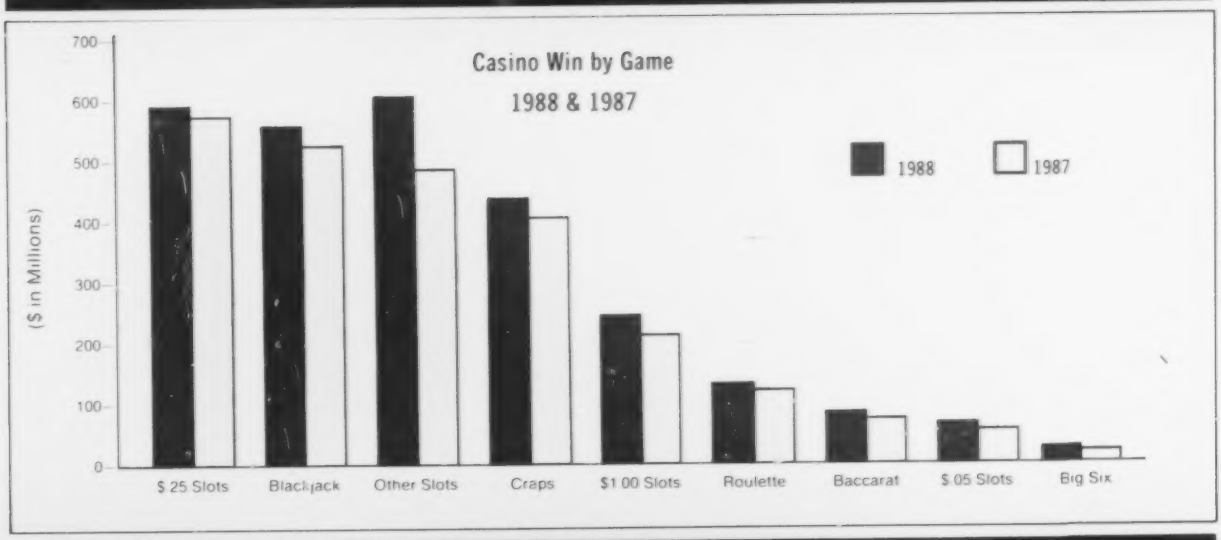
The New Jersey Casino Industry
Gross Revenue and Related Tax
For the Years Ended December 31, 1988 and 1987

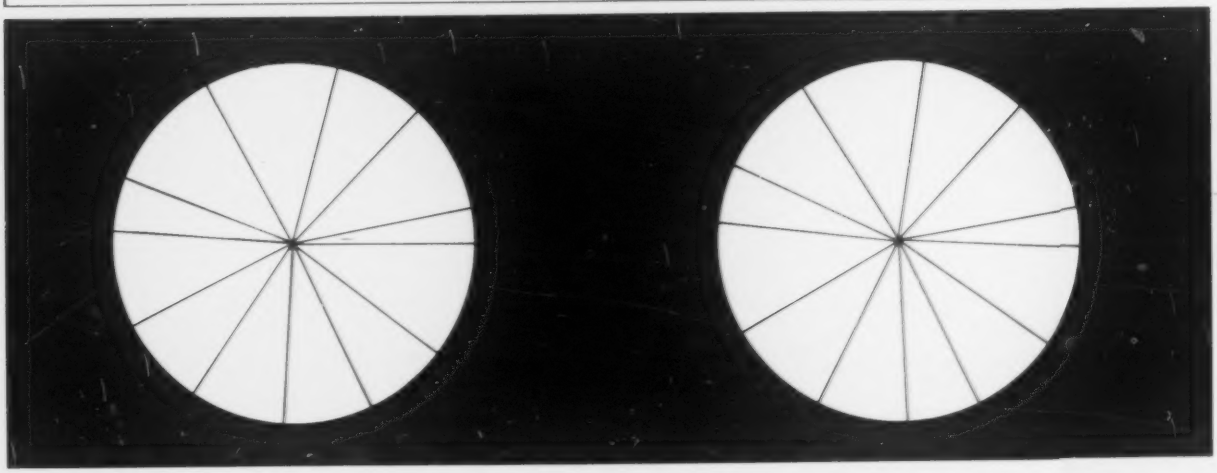
($ in Thousands)

Casino Hotel	Casino Win	Daily Average Casino Win	Adjustment for Uncollectibles	Gross Revenue	Tax
Atlantis					
1988	**$ 84,165**	**$230**	**$ 0**	**$ 84,165**	**$ 6,733**
1987	73,516	201	0	73,516	5,881
Bally					
1988	**$ 269,286**	**$736**	**$ 622**	**$ 268,664**	**$ 21,493**
1987	249,361	683	646	248,715	19,897
Bally's Grand(a)					
1988	**$ 221,631**	**$606**	**$ 1,721**	**$ 219,910**	**$ 17,593**
1987	242,368	664	2,975	239,393	19,151
Caesars					
1988	**$ 307,600**	**$840**	**$ 4,833**	**$ 302,767**	**$ 24,221**
1987	288,254	790	2,518	285,736	22,859
Castle					
1988	**$ 246,427**	**$673**	**$ 1,803**	**$ 244,624**	**$ 19,570**
1987	239,432	656	1,391	238,041	19,043
Claridge					
1988	**$ 132,971**	**$363**	**$ 682**	**$ 132,289**	**$ 10,583**
1987	124,148	340	377	123,771	9,902
Harrah's					
1988	**$ 281,347**	**$769**	**$ 1,079**	**$ 280,268**	**$ 22,421**
1987	246,489	675	1,849	244,640	19,571
Resorts					
1988	**$ 242,860**	**$664**	**$ 1,473**	**$ 241,387**	**$ 19,311**
1987	239,136	655	890	238,246	19,060
Sands					
1988	**$ 205,448**	**$561**	**$ 3,084**	**$ 202,364**	**$ 16,189**
1987	191,066	523	1,792	189,274	15,142
Showboat(b)					
1988	**$ 209,413**	**$572**	**$ 1,412**	**$ 208,001**	**$ 16,640**
1987	146,442	529	406	146,036	11,683
TropWorld(c)					
1988	**$ 232,785**	**$636**	**$ 1,281**	**$ 231,504**	**$ 18,520**
1987	211,041	578	3,526	207,515	16,601
Trump					
1988	**$ 300,841**	**$822**	**$ 4,362**	**$ 296,479**	**$ 23,718**
1987	244,423	670	2,246	242,177	19,374

(a) Formerly Golden Nugget
(b) Officially opened April 2, 1987
(c) Formerly Tropicana





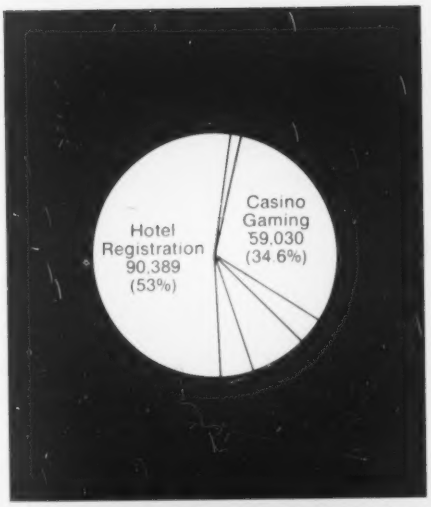


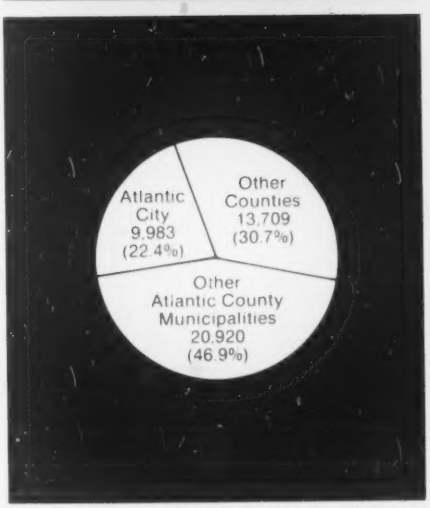
Bally's Grand was formerly Golden Nugget. TropWorld was formerly Tropicana. Showboat officially opened April 2, 1987.

Enterprise License Bureau Statistics
Casino Service Industries

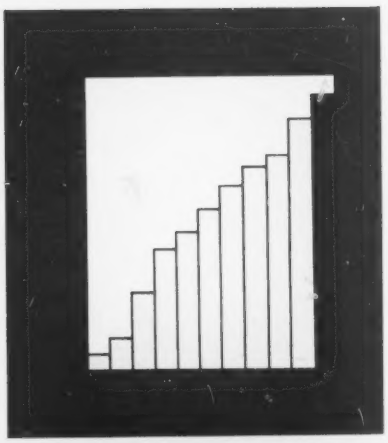
	1/1/88 to 12/31/88	Inception to 12/31/88
Enterprises permitted to conduct business with casino licensees	3,662	23,796
Enterprises prohibited from conducting business with casino licensees	85	531
Contracts reviewed	3,010	16,073
Initial Gaming Related:		
Applicants	8	134
Licenses Issued	4	52
Licenses Denied	5	5
Withdrawals Granted	2	29
Licenses Active	16	
*Renewal Gaming Related:		
Applicants	25	
Licenses Issued	6	
Licenses Denied	0	
Withdrawals Granted	0	
Licenses Active	10	
Initial Non-Gaming Related:		
Applicants	241	2,696
Licenses Issued	138	1,181
Licenses Denied	13	100
Withdrawals Granted	51	330
Licenses Active	506	
*Renewal Non-Gaming Related:		
Applicants	204	
Licenses Issued	119	
Licenses Denied	2	
Withdrawals Granted	0	
Licenses Active	187	
Exemption requests received	3	153
Exemption requests accepted for filing	3	99
Exemptions granted by CCC	1	15
Junket Enterprises		
Initial Junket Enterprises:		
Applicants	13	251
Licenses Issued	3	160
Licenses Denied	2	18
Withdrawals Granted	5	22
Licenses Active	80	
*Renewal Junket Enterprises:		
Applicants	9	
Licenses Issued	3	
Licenses Denied	0	
Withdrawls Granted	0	
Licenses Active	10	
Gaming Schools		
Applications Filed	0	17
Licenses Issued	0	10
Schools Currently Operating	4	
Labor Organizations		
Registered	0	17

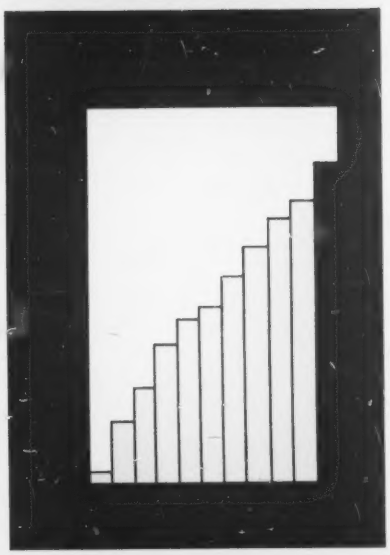
*Newly developed tracking system to account for ongoing renewal information.





Source: Casino Control Commission as of October 26, 1988

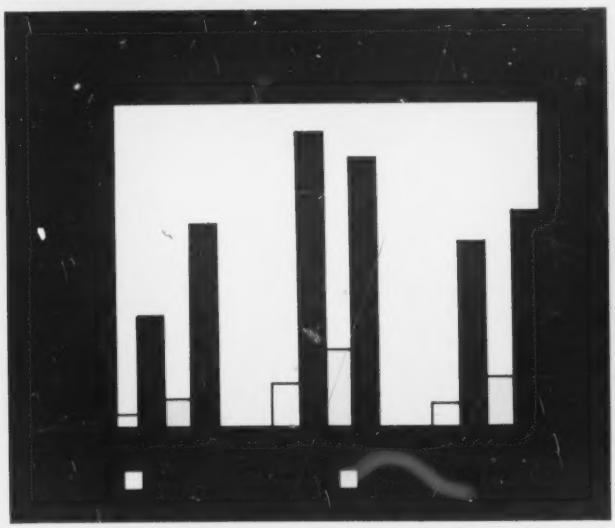


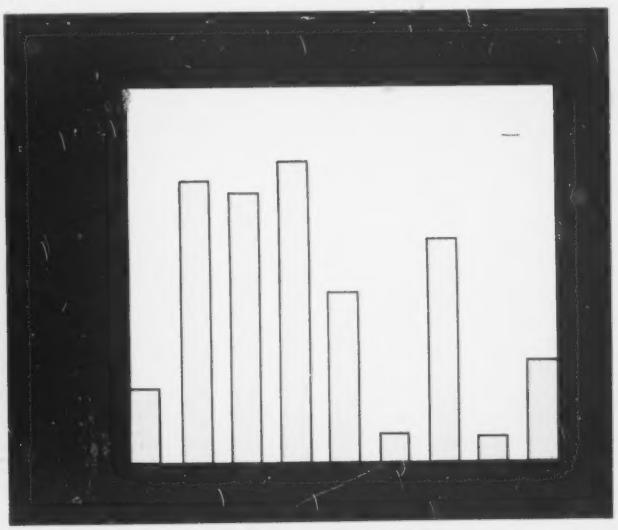


Employee License Bureau
Applications Accepted and Licenses/Registrations Issued

	1/1/88 to 12/31/88	Inception to 12/31/88
Casino Key Employees:		
Applications filed	335	4,530
Licenses issued	239	3,881
Temporary licenses issued	192	1,660
Casino Employees:		
Applications filed	4,852	74,297
Licenses issued	4,173	70,614
Temporary non-gaming licenses issued	734	8,354
Temporary Junket Employee* licenses issued	17	1,691
Junket Employees: (Since Jan. 1988)		
Applications filed	204	204
Licenses issued	23	23
Gaming School Employees:		
Applications filed	24	1,102
Licenses issued	28	935
Temporary licenses issued	2	92
Casino Hotel Employees:		
License & registration applications filed	10,270	90,389
Licenses & registrations issued	10,270	90,283
Total Employees:		
Applications filed	15,685	170,522
Plenary licenses & hotel registrations issued	14,733	165,736
Temporary licenses issued	945	11,797
Position additions processed	3,573	40,264
Employee license renewals processed	13,701	87,233

* Temporary Junket Employee Licenses were issued prior to a change in the Casino Control Act in January 1988





*Total includes Casino Key, Casino, Instructor and Junket licenses issued 1978 through 1988, and does not include Hotel Registrations issued 1978-1988 (90,283)

LEGISLATIVE SERVICES COMMISSION
SENATOR
JOHN F. RUSSO
Chairman
ASSEMBLYMAN
ROBERT E. LITTELL
Vice-Chairman
SENATE
LEONARD T. CONNORS, JR.
JOHN H. DORSEY
MATTHEW FELDMAN
S. THOMAS GAGLIANO
JAMES R. HURLEY
CARMEN A. ORECHIO
LAURENCE S. WEISS
GENERAL ASSEMBLY
BYRON M. BAER
JOHN O. BENNETT
WILLIE B. BROWN
JOHN PAUL DOYLE
CHUCK HARDWICK
WALTER J. KAVANAUGH
DENNIS L. RILEY

New Jersey State Legislature
OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
210 CARNEGIE CENTER
PRINCETON, NEW JERSEY 08540
MAILING ADDRESS:
CN 067
TRENTON, NEW JERSEY 08625

ALBERT PORRONI
Executive Director
(609) 292-4625

JAMES J. DOLAN
State Auditor
(609) 292-3700

February 17, 1989

The Honorable Thomas H. Kean
Governor of New Jersey

The Honorable John F. Russo
President of the Senate

The Honorable Chuck Hardwick
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Gentlemen:

We have audited the balance sheet of the **Casino Control Fund** of the State of New Jersey as of June 30, 1988 and 1987, and the related statements of revenue, expenditures, and changes in fund balances, and revenues, expenditures, and changes in fund balances, budget and actual-budgetary basis for the years then ended. These financial statements are the responsibility of the State of New Jersey's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by managment, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Casino Control Fund** as of June 30, 1988 and 1987, and the results of its operations and changes in fund balances for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Expenditure Detail Schedule is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the same auditing procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The examination was performed and this report is submitted pursuant to the State Auditor's audit responsibilities as set forth in Article VII, Section 1.6 of the State Constitution, and N.J.S.A. 52:24-4.

Respectfully submitted,

Steven J. Krol
Assistant State Auditor

State of New Jersey
Casino Control Fund
Balance Sheet
June 30, 1988 and 1987

Exhibit I
(in $000)

	1988	1987
Assets:		
Accounts Receivable (Note 3)	$ 15,107.3	$ 10,142.2
Less: Allowance for Doubtful Accounts	1,652.1	1,582.7
Net Accounts Receivable	13,455.2	8,559.5
Due from General Fund (Note 2)	1,027.4	—
Total Assets	$ 14,482.6	$ 8,559.5
Liabilities and Fund Balance:		
Liabilities:		
Accounts Payable (Note 4)	$ 10,608.7	$ 5,221.8
Deferred Revenue (Note 5)	3,159.5	2,341.5
Due to General Fund (Note 2)	—	901.2
Total Liabilities	13,768.2	8,464.5
Fund Balance: (Note 1)		
Reserved:		
Reserved for Encumbrances		
Current Year	3,007.1	2,242.2
Prior Year	84.3	94.5
Unreserved:		
Undesignated	(2,377.0)	(2,241.7)
Total Fund Balance (Note 6)	714.4	95.0
Total Liabilities and Fund Balance	$ 14,482.6	$ 8,559.5

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
for the Fiscal Years Ended June 30, 1988 and 1987

Exhibit II-B
(in $000)

	1988	1987
Revenues:		
Casinos		
Licenses		
Casino	$ 34,746.2	$ 32,473.7
Slot Machines	9,321.7	8,663.8
Alcoholic Beverage	123.7	—
Work Permits	110.9	118.1
Fines and Penalties	252.3	416.2
Deficit Assessment	1,298.4	—
	45,853.2	41,671.8
Credits for Prior Year Surplus	(95.0)	(26.3)
Total From Casinos	45,758.2	41,645.5
Other Sources		
Licenses		
Casino Employees	5,006.4	4,923.7
Casino Service Industry	843.8	673.1
Slot Prototype	516.3	16.7
Fines and Penalties	23.2	35.9
Other Revenue	109.3	50.6
Total from Other Sources	6,499.0	5,700.0
Total Revenues	52,257.2	47,345.5
Expenditures:		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	29,612.3	27,641.0
Government Direction, Management and Control (Casino Control Commission)	21,964.8	19,605.4
Total Expenditures	51,577.1	47,246.4
Other Decreases:		
Transfers to General Fund (Note 8)	60.7	30.4
Total Other Decreases	60.7	30.4
Total Expenditures/Other Decreases	51,637.8	47,276.8
Net Increase (Decrease) in Fund Balance for the Year	619.4	68.7
Fund Balance - Beginning	95.0	26.3
Fund Balance - Ending	$ 714.4	$ 95.0

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual—Budgetary Basis
for the Fiscal Year Ended June 30, 1988

Exibit III-A
(in $000)

	Actual	Adjustment To Budgetary Basis	Actual on Budgetary Basis	Budget	Variance—Favorable (Unfavorable)
Revenues:					
Casinos					
Licenses					
Casino	$ 34,746.2	$ —	$ 34,746.2	$ 34,770.1	$ (23.9)
Slot Machines	9,321.7	—	9,321.7	9,117.0	204.7
Alcoholic Beverage	123.7	—	123.7	—	123.7
Work Permits	110.9	—	110.9	155.0	(44.1)
Fines and Penalties	252.3	—	252.3	—	252.3
Deficit Assessments	1,298.4	—	1,298.4	5,780.4	(4,482.0)
	45,853.2	—	45,853.2	49,822.5	(3,969.3)
Credits for Prior Year Surplus	(95.0)	—	(95.0)	—	(95.0)
Total From Casinos	45,758.2	—	45,758.2	49,822.5	(4,064.3)
Other Sources					
Licenses					
Casino Employees	5,006.4	—	5.006.4	6,465.9	(1,459.5)
Casino Service Industry	843.8	—	843.8	1,537.5	(693.7)
Slot Prototype	516.3	—	516.3	—	516.3
Fines and Penalties	23.2	—	23.2	—	23.2
Other Revenue	109.3	—	109.3	307.1	(197.8)
Total from Other Sources	6,499.0	—	6,499.0	8,310.5	(1,811.5)
Total Revenues	52,257.2	—	52,257.2	58,133.0	(5,875.8)
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement)	29,612.3	1,122.9	30,735.2	34,233.0	3,497.8
Government Direction, Management and Control (Casino Control Commission)	21,964.8	400.9	22,365.7	23,900.0	1,534.3
Total Expenditures	51,577.1	1,523.8	53,100.9	58,133.0	5,032.1
Other Decreases:					
Transfers to General Fund	60.7	(60.7)	—	—	—
Total Other Decreases	60.7	(60.7)	—	—	—
Total Expenditures/Other Decreases	51,637.8	1,463.1	53,100.9	58,133.0	5,032.1
Net Increase (Decrease) in Fund Balance for the Year	$ 619.4	$(1,463.1)	$ (843.7)	$ —	$ (843.7)

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual—Budgetary Basis
for the Fiscal Year Ended June 30, 1987

Exibit III-B
(in $000)

	Actual	Adjustment To Budgetary Basis	Actual on Budgetary Basis	Budget	Variance—Favorable (Unfavorable)
Revenues:					
Casinos					
Licenses					
Casino	$ 32,473.7	$ —	$ 32,473.7	$ 34,269.7	$(1,796.0)
Slot Machines	8,663.8	—	8,663.8	8,525.0	138.8
Alcoholic Beverage	—	—	—	1,020.0	(1,020.0)
Work Permits	118.1	—	118.1	144.0	(25.9)
Fines and Penalties	416.2	—	416.2	—	416.2
	41,671.8	—	41,671.8	43,958.7	(2,286.9)
Credits for Prior Year Surplus	(26.3)	—	(26.3)	—	(26.3)
Total From Casinos	41,645.5	—	41,645.5	43,958.7	(2,313.2)
Other Sources					
Licenses					
Casino Employees	4,923.7	—	4,923.7	5,844.3	(920.6)
Casino Service Industry	673.1	—	673.1	1,194.0	(520.9)
Slot Prototype	16.7	—	16.7	—	16.7
Fines and Penalties	35.9	—	35.9	—	35.9
Other Revenue	50.6	—	50.6	20.0	30.6
Total from Other Sources	5,700.0	—	5,700.0	7,058.3	(1,358.3)
Total Revenues	47,345.5	—	47,345.5	51,017.0	(3,671.5)
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement)	27,641.0	505.2	28,146.2	29,966.0	1,819.8
Government Direction, Management and Control (Casino Control Commission)	19,605.4	585.2	20,190.6	21,051.0	860.4
Total Expenditures	47,246.4	1,090.4	48,336.8	51,017.0	2,680.2
Other Decreases:					
Transfers to General Fund	30.4	(30.4)	—	—	—
Total Other Decreases	30.4	(30.4)	—	—	—
Total Expenditures/Other Decreases	47,276.8	1,060.0	48,336.8	51,017.0	2,680.2
Net Increase (Decrease) in Fund Balance for the Year	$ 68.7	$(1,060.0)	$ (991.3)	$ —	$ (991.3)

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

STATE OF NEW JERSEY
CASINO CONTROL FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies

A. Fund Accounting

The Governmental Accounting Standards Board, in its Statement 1—entitled *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*, continued in force the National Council on Governmental Accounting's (NCGA) Statement 1. NCGA Statement 1 defines a fund as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. These statements reflect financial reporting practices in accordance with that definition.

Special Revenue Fund

The Casino Control Fund is classified as a Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

The Casino Control Fund (N.J.S.A. 52:12-143) accounts for fees from the issuance and renewal of casino licenses, work permit fees, and other license fees. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The Casino Control Fund is accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual-that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues susceptible to accrual would include casino license fees.

Appropriations are authorized by an act of the Legislature for expenditure during the fiscal year and for a period of one month therafter. Expenditures are recorded on an accrual basis when the related liability is incurred. Modifications to the accrual basis of accounting include:

a) Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.

b) Accumulated unpaid vacation and sick pay are not accrued.

Encumbrances represented by purchase orders and contracts are recorded and reported as reservations of fund balance since they do not constitute expenditures or liabilities.

C. Revenue and Expenditure Budgets

The Casino Control Fund, as detailed in the following table, operates under a budgetary control system comprised of:

a) The Annual Appropriations Acts approved June 30, 1987 for Fiscal Year 1988, June 30, 1986 for Fiscal Year 1987, and various supplemental appropriation acts approved during the fiscal year.

b) Reappropriations (authorized by the Annual Appropriations Act) of prior year funds which are available for expenditure in the current year.

c) Appropriated Revenues (authorized by the Annual Appropriations Act) which established certain revenues as appropriations.

The above items provided the following amounts for the Fiscal Year 1988 and 1987 budgets (in $000).

	Revenue and Other Increases	
	1988	1987
Annual Appropriations Act	$58,133.0	$51,017.0
Totals	$58,133.0	$51,017.0

	Expenditures and Other Decreases	
	1988	1987
Annual Appropriations Act	$58,133.0	$51,017.0
Totals	$58,133.0	$51,017.0

Budgetary control is maintained at the program unit level.

The accompanying statements of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual-Budgetary Basis present comparisons of the legally adopted budget with actual data on a budgetary basis.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformance with generally accepted accounting principles (GAAP). The main difference between the budgetary basis and the GAAP basis is that under the budgetary basis encumbrances are recognized as expenditures, and the budgetary basis reflects transactions only for the current fiscal year. There were no expenditures in excess of appropriations in the Casino Control Fund.

D. Fund Balances

The fund balances of the Casino Control Fund consist of:

a) *Reserved for encumbrances*—used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.

b) *Unreserved-Undesignated*—used to represent that portion of fund balance resources available for appropriation.

E. Fixed Assets

Fixed assets acquired with fund resources are recorded as expenditures of the fund at the time of acquisition and are also recorded in the State's General Fixed Asset Account Group.

F. Other

Other significant accounting policies are described in Notes 2 to 8.

NOTE 2—Due From or Due To General Fund

Cash transactions of the Casino Control Fund are made through and by the General Fund cash accounts. The balance of cash for this fund held in the General Fund, after receipt and disbursment transactions, is accounted for and reflected in the respective Due From or Due To accounts on the Balance Sheet.

NOTE 3—Accounts Receivable

Represent amounts which were collected within the one-month period subsequent to June 30, and outstanding billings applicable to June 30, 1988 and 1987. Approximately 73% and 64% of the outstanding billings were satisfied within a three-month period subsequent to June 30, 1988 and 1987, respectively.

NOTE 4—Accounts Payable

Represent amounts due for goods and services that were received by the State prior to fiscal year end.

NOTE 5—Deferred Revenue

Deferred Revenue represents Fiscal Year 1989 slot machine license billings received and recorded in Fiscal Year 1988.

NOTE 6—Fund Balance

The positive fund balance as of June 30, 1987 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 1987 was credited to casino licensees in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the Fiscal Year ended June 30, 1987. The positive fund balance as of June 30, 1988 resulted from an excess of estimated assessments made to casino licensees during Fiscal Year 1988 as provided by N.J.A.C. 19:41-9.4(f). The balance at June 30, 1988 will be credited to casino licensees during Fiscal Year 1989 in the same proportion as the aforementioned assessments, pursuant to N.J.A.C. 19:41-9.19(c).

NOTE 7—Employee Benefit Costs

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

NOTE 8—Interest

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during Fiscal Year 1988 and Fiscal Year 1987 was equal to the effective rate of return on investments in the General Fund and varied from 6.40% to 7.08% in Fiscal Year 1988 and from 5.67% to 6.82% in Fiscal Year 1987. The net effect of these transactions is reflected in the Translers to General Fund account on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

NOTE 9—Contingent Liability

The Casino Control Fund is involved in a number of legal actions wherein there is potential for unanticipated expenditure. The exact amount involved in these legal proceedings is not fully determinable. N.J.A.C. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

State of New Jersey
Casino Control Fund
Expenditure Detail
Fiscal Years Ended June 30, 1988 and 1987

Schedule I
(in $000)

	1988		1987	
	Public Safety and Criminal Justice	Government Direction Managment and Control	Public Safety and Criminal Justice	Government Direction Management and Control
Expenditures:				
Salaries	$17,470.4	$14,565.3	$16,610.4	$13,379.6
Payroll Taxes and Employee Benefits	4,719.6	3,332.0	4,771.3	2,890.9
Printing and Office Supplies	280.0	292.4	285.0	280.4
Vehicular Supplies	275.9	—	317.1	—
Travel	40.7	44.3	33.6	48.9
Telephone	700.3	183.7	870.1	216.9
Data Processing	570.5	814.3	511.4	890.3
Professional Services	401.0	286.7	410.8	249.3
Other Services Other than Personal	584.8	604.8	301.9	330.3
Rent-Facilities	1,807.2	1,532.4	1,275.9	1,055.4
Rent-Automobiles and Other	163.5	100.0	114.9	108.1
Indirect Costs	1,280.6	2.0	929.2	.2
Office Equipment	263.1	100.5	86.0	57.0
Vehicular Equipment	607.8	—	671.9	—
Other Equipment	446.9	106.4	451.5	98.1
Total Expenditures	$29,612.3	$21,964.8	$27,641.0	$19,605.4

The Inspection staff certifies that the state receives its full share of the casino revenues as well as overseeing the integrity of the games.

CASINO CONTROL PEOPLE

The commission staff has developed into a highly sophisticated group of professionals dedicated to carrying out the provisions of the Casino Control Act. The commission is only in its 12th year, young by governmental standards, and many of its staff members have been active in the development of the casino industry since passage of the gaming referendum in 1976.

Unselfishly dedicated to their task, staff members have devoted themselves to helping the industry and public to comply with the law while guaranteeing the integrity of the games.

The Legal Division works assiduously to ensure that plans and specifications of all casinos meet the requirements of the Casino Control Act.

The Affirmative Action staff works closely with contractors to guarantee that female and minority workers participate in the industry.

Staff members work closely with contractors to assure minority participation in building and construction, guide prospective employees through the licensing procedures and advise casino professional staff members of the intricacies of the financial requirements of the Act. They are assisted in their efforts by the commission legal staff and administrative office.

In large measure because of the staff's efforts, the state government, the public and the industry have experienced and enjoyed an exhilarating experience without any hint of scandal or wrong doing.

They have been forced under pressure from a developing industry to forge an expertise in computerization. They have had to demonstrate a grasp of Wall Street financial matters and the intricacies of bankruptcy law to cope with a billion dollar business. They have developed a body of regulations that govern a complex industry in the most highly charged atmosphere.

Yet, because of the sensitive nature of their work, the members of the commission staff labor under the most stringent pre- and post-employment restrictions. Despite the expertise they acquire, they are prohibited from obtaining employment in the gaming industry for a mininum of two years and sometimes for as long as four years.

They have a further burden because the state's conflict of interest regulations prevent any members of their immediate families from working in the gaming industry.

They are truly the unsung heroes and heroines of the past decade.

More than 100,000 license applicants have been guided through the process by members of the License Division staff.

The Administration Office supplies computer training and expertise to help the commission staff perform at the highest level of efficiency.